

**CITY OF EVERETT**  
**Snohomish County, Washington**  
**January 1, 1993 Through December 31, 1993**

---

**Schedule Of Findings**

---

1. The City Should Improve Controls Over Cash Receipts

Treasurer's Department

During our review of cash receipts in the treasurer's department we found the following internal control weaknesses.

- a. Money is brought in by other city departments in deposit bags and placed in an unlocked file cabinet; however, the cashier is not counting and receipting the money immediately, and often may not complete this task until the next day.

Until the cashier records the money and places it in the till the risk remains high that the money could be stolen and the theft not detected in a timely manner.

We recommend that the treasurer's staff receipt all money immediately, and protect undeposited moneys in a locking safe until deposit with the bank the next day.

- b. Frequency of departmental deposits is not tracked by the treasurer. Without a process to look for deposits from all city departments on a predetermined schedule, receipts could be lost or stolen and not detected in a timely manner.

We recommend that the treasurer determine time schedules for deposits from outlying city departments, and monitor those deposits daily, to ensure city money is adequately protected.

- c. One person opens the mail, and no log is kept of payments received in this manner. When one person performs this task alone, there is no accountability for how much money from the day's mail should be turned over to the cashier.

We recommend that two people open mail together, especially in the treasurer's department where payment by mail is a common occurrence. Both should sign a log or calculator tape of the total received in the mail each day, identifying whether cash or checks were received, and submit the money to the cashier for immediate receipt. This documentation should be retained to support the cashier's report.

- d. Employees' personal checks are cashed by the treasurer. This practice makes it difficult or impossible to balance receipts to bank deposit by mode of payment (cash/check), leaving the city unable to ensure its receipts are deposited intact. Requiring the treasurer to cash employee personal checks has been long-standing city policy.

We recommend that the treasurer not be required to cash employee checks.

- e. The cashier's drawer does not lock, leaving the day's receipts open to anyone with access to the clerk's or treasurer's department.

We recommend the city install a cash drawer that adequately protects money received.

- f. The use of manual receipts is not tracked by the treasurer's department. When the computer system is not functioning, manual receipts are necessary. However, it is important to track the number series to ensure that all money recorded by these receipts is deposited in the city's bank account and recorded in the automated system at a later time.

We recommend the treasurer account for all manual receipts.

#### Parks Department

We found weaknesses in control over cash receipts with the city parks department similar to those found in the treasurer's department, regarding opening of mail, use of manual receipts, and safeguarding money in the cash drawer.

We recommend the same improvements to control be made in these areas in the parks department, as we recommended for the treasurer's department.

#### Library - Main Branch

We also found several weaknesses in control over cash receipts at the library's main branch.

- a. The employee who prepares the bank deposit also receipts money.

We recommend these two duties be separated, or that management review the bank deposit.

- b. Collection of cash from the copy machine is only done by one person. When only one person collects cash from this machine, it is not possible for management to determine how much should be collected and receipted. Coin was also withheld from the deposit of copy machine receipts for use as a change fund.

We recommend two people collect cash from the copy machine, to establish accountability for this money immediately upon removal from the machine.

We also recommend that all money received be deposited in the bank, intact. Change funds must be approved by the finance director, and not taken from a day's cash receipts.

- c. Keys to the cash register and cash boxes are not being kept in a secure place during business hours.

We recommend that management take whatever reasonable steps are necessary to safeguard cash during business hours.

- d. We also noticed weaknesses in control over cash receipts similar to those found in the treasurer's department, regarding opening of mail and the use of manual

receipts.

We recommend the same improvements to control be made in these areas in the library, as we recommended for the treasurer's department.

#### Senior Center

Finally, during our visit to the senior center we found where controls over cash receipting require improvement.

- a. The same person that collects money often makes deposits with the treasurer.

We recommend that these two duties be separated, or an independent person review the bank deposit.

- b. The center does not use prenumbered receipts for travel ticket sales. Use of such receipts will help ensure that all money collected is deposited in the center's bank account.

We recommend the center use prenumbered city receipts to record money collected.

2. Control Over Utility Billing Process Needs Improvement

During our review of the city's controls over utility billing and related cash receipts we found the following weaknesses.

- a. Many or all employees at the city's utility service center have access to the computer files for changing billing rates or amounts.

Allowing too many employees access to the billing rate files increases the risk of errors in customer accounts, and also makes it less likely that the duties of cash receipting and customer billing will be kept separate.

We recommend access to utility billing files be restricted to employees responsible for making required changes.

- b. Some employees at the service center are authorized to enter both billing information and cash receipt information into the system.

Employees who update customer account information should not receive customer payments. Without segregation of these duties, cashier's are not accountable to the city for any particular amount received from a customer.

We recommend that service center employees' duties be segregated so the same people responsible for utility billings and receivables do not receive payments.

- c. One employee who is responsible for cash receipting and entering billing information onto the system is also responsible for preparing the day's bank deposit.

Preparation of the bank deposit should not be done by the cashier, or at the very least a supervisor should provide oversight by reconciling the receipts to the daily deposit before it is taken to the bank and confirm the total with a bank generated deposit receipt.

We recommend that more than one employee be responsible for deposit preparation, and that a supervisor provide oversight for the deposit as suggested above.

- d. New customer data is often not documented and authorized prior to system entry. Customer data not supported by adequate documentation before entry is more subject to error.

We recommend that all new customer data be supported by adequate documentation prior to entry

- e. No one reconciles utility customer receivable amounts from the detailed ledger to the general ledger control account.

Unless the detailed subsidiary customer ledgers are reconciled to the control balance for accounts receivable, the city cannot be assured that all customer billing and payment information is properly recorded.

We recommend that customer receivable subsidiary ledgers be reconciled to the control account in the general ledger in a timely manner.

3. The Police Department Should Track Traffic Citations From Issuance To Disposition

During our review of traffic citations issued by the City of Everett Police Department we learned that the department makes no comparison of citations issued with those received by the Municipal Court.

RCW 46.64.010 states:

The chief administrative officer of every traffic enforcement agency shall require the return to him of a copy of every traffic citation issued by an officer under his supervision to an alleged violator of any traffic law or ordinance and of all copies of every traffic citation which has been spoiled or upon which any entry has been made and not issued to an alleged violator . . .

. . . Such chief administrative officer shall also maintain or cause to be maintained in connection with every traffic citation issued by an officer under his supervision a record of the disposition of the charge by the court or its traffic violation bureau in which the original or copy of the traffic citation was deposited . . .

RCW 46.64.010 also states:

. . . Every record of traffic citations required in this section shall be audited monthly by the appropriate fiscal officer of the government agency to which the traffic enforcement agency is responsible . . .

Since the police department does not track traffic citations issued to ensure that they receive some proper disposition with the municipal court, citations could be missing and not be detected in a timely manner. Absent required controls, the city cannot be assured that their municipal court will have the opportunity to collect all traffic fines owed, or require all mandatory court appearances by defendants.

We recommend that the police department establish procedures to ensure that all citations issued receive some formal disposition with the court.

We also recommend that the city's finance department give the appropriate oversight, as required by statute.

4. The Police Department Should Comply With The Uniform Controlled Substances Act Regarding Property Seizures

Everett police seized a total of \$133,605 pursuant to the Uniform Controlled Substances Act in 1993. This amount is considered forfeited under the Act, and includes cash as well as net proceeds from the sale of seized property. Under the Act, the city should have paid the state treasurer \$13,360 from these proceeds by January 1994. The city did not pay the state its share or submit the required quarterly reports for this property until August of this year, after our audit was completed.

RCW 69.50.505, paragraph (h)(1) states that:

By January 31st of each year, each seizing agency shall remit to the state treasurer an amount equal to ten percent of the net proceeds of any property forfeited during the preceding calendar year . . . .

This statute goes on to define "net proceeds" as the "value of forfeitable interest in the property" after deducting certain costs. This definition includes not only sold property but also retained property, and includes guidelines for determining value.

In addition to the requirement stated above, RCW 69.50.505, paragraph (g)(3) requires each police department to file a quarterly report with the state treasurer including a copy of records of forfeited property.

When the police department does not report the net proceeds of any property forfeited, and remit their portion to the state in a timely manner, the city is in violation of the Uniform Controlled Substances Act.

We recommend the Everett Police Department remit to the state treasurer its share from property forfeited pursuant to state law explained in the above paragraphs. This includes payment of the amount owed as of January 1, 1994.

We also recommend the department make the required quarterly reports of forfeited property to the state treasurer.

5. The City Should Improve Controls At The Municipal Court

Cash Receipts/Accounts Receivable

- a. During our review of cash receipts we found that cashiers have the ability to make adjustments to accounts receivable amounts for cases on file in the District Court Information System (DISCIS). This includes the ability to write off receivables entirely. The duties of cash receipting and posting adjustments to receivables should be separated. Without such separation, cashiers are not accountable to the court for any particular amount received on a defendant's account.

We recommend that only one employee besides the court administrator have computer access which allows adjusting receivable amounts. Either the administrator or designee should make such adjustments at the request of the cashiers. No one should make accounts receivable adjustments related to cases for which they receipt money.

- b. We found that one person opens the mail, and no log is kept of these payments received. We also found that payments received in the mail are not immediately receipted using the DISCIS system. This includes payments from individuals and the collection agency.

We recommend that two people open mail together, especially in an operation such as the court where payment by mail is a common occurrence. Both should sign a log or calculator tape of the total received in the mail each day, identifying whether cash or checks were received, and submit the money to the cashier for immediate posting. This documentation should be retained to support the cashier's report.

Trust Account

We were unable to reconcile the balance in the court's trust account to the bank statements or to the detailed listing of cash in trust by defendant. Court records indicated a June 30, 1994, balance of \$159,157 in the trust account. Of this balance, \$2,112 could not be confirmed through the bank statement. Of this same balance, \$46,122 could not be identified through a specific case or court action.

We recommend that the court administrator identify all defendants who have deposited cash bail in the court trust account. Any amounts held in bail inappropriately should be refunded, applied to fines, or remitted to the state as unclaimed property. Reasons for any cash shortage in the trust fund should be identified and the trust fund should be reimbursed from the appropriate city fund.

We also recommend that the court administrator reconcile the trust fund from the bank balance to the trust account summary report, at least monthly. Such a reconciliation should be documented.

Exception Reports

As of January 3, 1994, all DISCIS courts had the capability to run "audit reports" for review by court management. These reports include transactions and information for: accounts receivable adjustments, non-cash credits, adjusted receipts, deleted cases, restitution adjustments, overpayment activity, accounts payable, and restitution out of balance information.

The court administrator was not printing these reports when we started fieldwork. We recommend they be printed and reviewed by the administrator daily.

#### Staff Responsibilities

We reviewed the court staff's job descriptions as given by the court administrator, and found that any employee may fill in as cashier, either during normal business hours or when assigned to night court. "Cashiering" represents both a duty any staff member may perform, and a level of access on the DISCIS software system. However, several employees hold responsibilities that are not consistent with cashiering.

Any employee who enters citations or case dispositions should not receipt moneys for the court. Those who enter citations onto the DISCIS system establish accountability for the money due the court. Employees who enter dispositions record what the judge has ordered a defendant to pay after their court appearance. In both cases, such employees establish the exact amount a cashier would be accountable for to close out a case.

We recommend that the court segregate cashiering duties from those incompatible duties described above.

#### DISCIS System Reports

DISCIS can produce accounts receivable detail reports for customers on either a "time pay" or a "non-time pay" status. The DISCIS General Ledger report includes summary postings to these receivable accounts also.

As of July 29, 1994, the detailed reports for "time pay" and "non-time pay" receivables fell short of the DISCIS General Ledger figures by \$284,453 and \$824,006, respectively.

Before the city proceeds with collection efforts, we recommend that management reconcile the difference between the detailed and control report information for their receivables, to ensure that accurate amounts are sought for collection. We also recommend the court continue to perform such reconciliations each month, to ensure errors in either ledger are corrected in a timely manner.